

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION

OF

WASHINGTON INSURANCE EXAMINING BUREAU, INC.
SEATTLE, WASHINGTON

DECEMBER 31, 2011

Order No. 13-210
Washington Insurance Examining Bureau, Inc.
Exhibit A

SALUTATION

Seattle, Washington

May 23, 2013

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building-Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an examination was made of the corporate affairs and financial records of

Washington Insurance Examining Bureau, Inc.

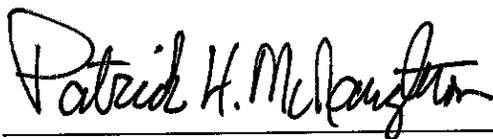
of

Seattle, Washington

hereinafter referred to as "WIEB" or "the Bureau" at the location of its home office, 2101 4th Avenue, Suite 300, Seattle, WA 98004. This report is respectfully submitted showing the condition of WIEB as of December 31, 2011.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Washington Insurance Examining Bureau, Inc., of Seattle, Washington. This report shows the financial condition and related corporate matters as of December 31, 2011.

A handwritten signature in black ink that reads "Patrick H. McNaughton". The signature is written in a cursive style with a large initial "P".

Patrick H. McNaughton
Chief Examiner

7-16-13

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2007 through December 31, 2011 and comprises a comprehensive review of the books and records of WIEB. The examination followed the statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination that were noted during the examination.

Corporate records, external reference materials, and various aspects of WIEB's operating procedures, financial records, and examination of policies were reviewed during the course of this examination and are commented upon in the following sections of this report. In addition, WIEB's certified public accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

The examiners reviewed WIEB's audited 2011 Statements of Cash Receipts and Disbursements as part of the examination. This review was performed to determine if WIEB completed the 2011 statements of cash receipts and disbursements in accordance with a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), and to determine if WIEB's records were prepared and maintained in accordance with Title 48 RCW and Title 284 WAC.

INSTRUCTIONS

NONE

COMMENTS AND RECOMMENDATIONS

NONE

BUREAU PROFILE

Bureau History

WIEB is a licensed, non-profit, public service organization established as an examining bureau under Washington law. The statutory authority for its existence is codified under RCW 48.19.410 and WAC 284-20-006. Operation of WIEB in Washington State has been continuous since 1906. WIEB was incorporated in 1947 and its stock is held in trust for insurers pursuant to a trust agreement approved by the OIC. WIEB's license allows for the examination of property insurance policies.

Territory and Plan of Operation

WIEB examines property policies issued by insurers licensed to do business in the state of Washington for the purpose of ascertaining that lawful loss costs, rules, and forms are used. WIEB obtains revenue from assessments to companies authorized to transact property insurance business in the state of Washington. The assessments are based on the individual insurer's total written property premium for a specific calendar year as reported by the insurer to the OIC.

Growth of WIEB

WIEB's growth, as reported in its audited statements of cash receipts and disbursements, is illustrated below:

<u>Year</u>	<u>Assessments</u>	<u>Net Investment Income</u>	<u>Disbursements</u>
2007	\$464,139	\$7,083	\$365,721
2008	512,181	8,491	447,060
2009	480,886	14,358	453,315
2010	491,523	1,447	493,713
2011	502,530	2,653	514,100

Affiliated Entities

Washington Surveying and Rating Bureau (WSRB) is a licensed, non-profit corporation providing services to its subscribers. WSRB is operated as a public service institution, and functions in accordance with Chapter 48.19 RCW. WSRB functions as a separate entity but shares some common board members with WIEB.

Contracts with Affiliated Entities

WIEB and WSRB entered into a joint operating agreement on January 18, 1985 to share certain functions and facilities in order to realize efficiencies and cost savings. The agreement included pro rata cost sharing of leases, facilities, furniture, equipment, services, supplies, personnel time, and other functions as may be mutually beneficial.

MANAGEMENT AND CONTROL

Ownership

WIEB is a non-profit corporation. It was organized under Washington State corporation statutes in 1947. WIEB's stock is held in an irrevocable trust for the benefit of WIEB's subscribers in compliance with RCW 48.19.410(3)(a).

Board of Directors (BOD)

Directors as of December 31, 2011:

Wayne Christophersen
Rex Clark
Mark Cole
Brian Upton-Rowley

Officers

Officers as of December 31, 2011:

Wayne Christophersen, President
Mark Cole, Vice President
Rex Clark, Treasurer
Brian Upton-Rowley, Secretary

Committees

The BOD has no committees.

Conflict of Interest

Annual conflict of interest statements are distributed to directors, officers, and employees. All are required to disclose to the BOD potential conflicts of interest, sign, and return the statements. Any conflicts are reviewed at the executive level with appropriate restrictions imposed as necessary.

Fidelity Bond and Other Insurance

WIEB is covered as a named insured under a commercial insurance policy. WIEB does not have a fidelity bond; however, employee theft coverage in excess of the required level was obtained and maintained as part of its commercial insurance policy. The limits provided are \$500,000 with \$1,000 retention for employee theft, forgery, computer fraud, funds transfer fraud, money orders and counterfeit currency fraud coverage, credit card fraud, and other crime related coverage.

Officers' and Employees' Welfare and Pension Plans

WIEB maintains a defined benefit pension plan for employees hired prior to December 31, 2003 through a multiple-employer defined benefit plan. Participants are 100 percent vested after five years of service. Pension contributions include an amount to fund the unfunded accrued liability. Because WIEB is on a cash basis of accounting, it provides for the unrecorded liability by accepting the actuarial contribution recommendation.

WIEB also maintains a cash balance plan as part of its defined benefit plan for employees (1) who were first hired or re-hired on or after January 1, 2004, and (2) who were employed on or after January 1, 2007, and, on or before December 31, 2010. Participants are 100 percent vested after three years of service. Participants in the cash balance plan are funded with a pay credit equal to five percent of the participant's compensation for the plan year and interest crediting is indexed to the one year U.S. Treasury maturity rate. Effective December 31, 2010, the defined benefit plan was put into a hard freeze where participants no longer accrue future benefits.

WIEB provides 401(K) benefits to eligible employees through an employee savings plan. An employee becomes 100 percent vested after three years. WIEB's non-elective contribution is determined by management.

CORPORATE RECORDS

WIEB's Articles of Incorporation were adopted on September 19, 1947. They were amended in their entirety on March 19, 2008. WIEB's Bylaws were adopted on December 30, 1977. They were restated in their entirety on March 19, 2008.

ACCOUNTING RECORDS AND INFORMATION SYSTEMS

WIEB maintains its accounting records on a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. WIEB's affairs, accounting procedures, internal controls, transactions, and examination of insurance property policies were reviewed during the planning and testing phase of the examination. WIEB was in compliance with RCW 48.19.410(7).

Management is sufficiently knowledgeable of the information system process. Systems development, acquisition, and maintenance controls were evaluated to gain assurance that appropriate internal controls are in place. WIEB has a business continuity plan and a disaster recovery plan.

SUBSEQUENT EVENTS

There were no material events adversely impacting WIEB between the examination date and the last day of our fieldwork.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report recommendations have been addressed and corrected.

FINANCIAL STATEMENT

**WASHINGTON INSURANCE EXAMINING BUREAU, INC.
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENT</u>	<u>BALANCE PER EXAMINATION</u>
RECEIPTS			
Assessments	\$502,530	\$0	\$502,530
Interest income	2,653		2,653
Total Receipts	<u>505,183</u>	<u>0</u>	<u>505,183</u>
DISBURSEMENTS			
Salaries and wages	284,352	0	284,352
Employee benefits	93,466		93,466
Rent	23,865		23,865
Professional fees	54,283		54,283
Payroll taxes	22,965		22,965
Postage, telephone and printing	12,648		12,648
Other taxes and licenses	11,100		11,100
Insurance	7,851		7,851
Supplies	1,722		1,722
Travel and business relations	1,848		1,848
Total Disbursements	<u>514,100</u>	<u>0</u>	<u>514,100</u>
NET RECEIPTS			
	(8,917)		(8,917)
Cash-Beginning	<u>603,592</u>		<u>603,592</u>
Cash-Ending	<u>\$594,675</u>	<u>\$0</u>	<u>\$594,675</u>

NOTES TO THE FINANCIAL STATEMENT

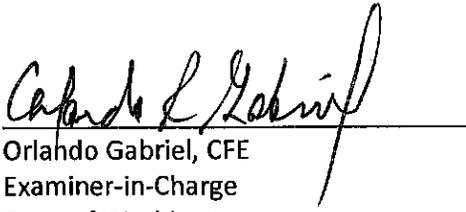
WIEB has no special consents, permitted practices, or orders from the state of Washington.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examination team by the officers and employees of Washington Insurance Examining Bureau, Inc. during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Susan Campbell, CPA, CFE, FLMI, ARA, Life Field Supervising Examiner; John R. Jacobson, AFE, CISA, AES, Automated Examination Specialist; Cynthia Clark, CPA, Financial Examiner; and Zairina Othman, Financial Examiner; all from the Washington State Office of Insurance Commissioner who participated in the examination and the preparation of this report.

Respectfully submitted,


Orlando Gabriel, CFE
Examiner-in-Charge
State of Washington

